

## **The complaint**

Mrs L has complained about the significant premium increases in the pet insurance policy Insurance Factory Ltd (IFL) is responsible for selling to her.

On 2 February 2022 I issued a provisional decision. For ease I've copied the relevant extract below. I said:

### ***“What happened***

*Mrs L took out a “lifetime” policy for her pet in 2017 for an annual premium of around £336. The premium increased over the next two years and was around £428 at renewal in 2019. During that policy year Mrs L claimed for some vet’s treatment for her dog. At the following renewal, in 2020, Mrs L’s premium had increased to around £835. She complained. Her premium increased again in 2021 to around £1,628 and she complained about the scale of that increase again.*

*In response to Mrs L’s complaint in 2020 IFL acknowledged that it could have done more to make Mrs L aware at the point of sale that her policy could be subject to such significant premium increases. So IFL offered her £150 compensation because it hadn’t done that. Mrs L didn’t think that went far enough and brought her complaint to us. One of our investigators looked into it. He considered the entire complaint against the policy insurer, which is a different business to IFL. He said that while he felt the insurer had calculated the premium fairly, it could have done more to let Mrs L know, at the point of sale, that the premium could be subject to a significant increase. So he said the insurer should increase the compensation to £500.*

*The insurer didn’t agree so the complaint was passed to me to decide.*

*For the reasons set out below I decided that Mrs L’s complaint about the information given at point of sale should be set up against IFL rather than the policy underwriter.*

### ***What I’ve provisionally decided – and why***

*I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.*

*IFL is an insurance broker and intermediary not an insurer. So it sells policies and might help with their admin. But it doesn’t provide the cover itself. That is the responsibility of the insurer.*

*IFL is responsible for the sale of the policy to Mrs L. So any concerns about the sale of the policy is for IFL alone to address. But IFL also administers the policy and when it does so, it acts on behalf of the insurer. So any complaint about the administration of the policy, including decisions about the calculation of the premiums, remains the responsibility of the insurer. That’s the case, even where IFL has taken that action on the insurer’s behalf. And as the insurer is a separate business to IFL and we’ve looked at Mrs L’s complaint about the*

*premium setting under a separate reference number, I don't intend to comment further on that point in this decision.*

*IFL has previously acknowledged that at the point of sale, she wasn't given enough information to let her know that her policy might be subject to significant premium increases. And it's offered her £150 compensation to address that. So, the key thing for me to consider now is whether or not it's done enough to put things right. And, after thinking about this very carefully I don't think it has.*

*Lifetime pet policies of the type that IFL sold to Mrs L tend to be comprehensive in nature. And their key selling point is that they will cover pets for ongoing medical problems they might develop after the policy has been taken out. So they tend to be more expensive than other policies available on the market.*

*Premiums for pet policies will usually increase as the pet ages. But, particularly for lifetime policies, it's also usual for the premium to increase in response to a claim. That is, once a pet has a medical condition it's likely that it poses a higher risk to the insurer. And, as a result, the insurer will reflect that increased risk in the premiums they charge going forward. So it's important that potential policyholders are aware of that when they buy the lifetime policy.*

*In this case IFL has accepted that not enough was done to make Mrs L aware of this potential for steep premium increases when she took out her policy. So I need to think about what is fair redress to put things right.*

*Mrs L didn't have to buy a lifetime policy. She could have bought a cheaper yearly policy. But those policies don't usually cover any pre-existing conditions. So, once a pet's suffered with a medical issue, the yearly policies won't cover that problem in later years. As a result, if a pet needs ongoing treatment over a number of years, the policyholder will have to bear the full cost of that treatment even if they have a policy in place.*

*In this instance it seems Mrs L was looking for a lifetime policy. And she was clearly happy enough with the initial premium IFL quoted, as she bought the policy. And as premium rises of this type are common across the market I think it's likely that Mrs L would have still bought the policy IFL sold to her, as that's the type of policy she was looking for. So I don't think she'd have done much different if she'd received more information at the point of sale.*

*But I can understand that, when her premium increased fairly dramatically in 2020, it came as something of a shock to her. And Mrs L's told us that, following the premium increase in 2021 while she did renew the policy, the premium has become unaffordable and she intends to cancel it.*

*If Mrs L had received more information about the possibility of such significant increases when she was initially buying the policy, it's likely she wouldn't have been as surprised when this happened, and so she wouldn't have been upset by this to the extent that she was. She would also have been aware that she might one day be in a position where she couldn't afford to carry on with the policy and would have to make a difficult decision about what to do. So to address her distress and inconvenience arising from that I think it's fair that IFL pays her a total of £300. I appreciate that sum is less than our investigator recommended. But I think the amount is fair and reasonable as it's in line with awards I make in other cases of similar seriousness."*

*Neither Mrs L nor IFL provided any further comment.*

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I'm going to uphold it.

As neither IFL nor Mrs L objected to my provisional decision I see no reason to depart from it.

### **My final decision**

For the reasons set out above I uphold this complaint. I require Insurance Factory Ltd to pay Mrs L compensation totalling £300 to address her distress and inconvenience. If it has already paid her £150 then it only need pay her a further £150. But if it didn't make the previous payment of £150 then it needs to pay her £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 17 March 2022.

Joe Scott  
**Ombudsman**